

RUSTENBURG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013



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REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Rustenburg Local Municipality at 30 June 2013 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2010/11 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

INDICATOR	2013	2012
Surplus / (Deficit) at the end of the Year	7 193 279 859	6 871 886 242
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	14.72%	16.00%
Remuneration of Councillors	0.80%	1.05%
Collection Costs	0.67%	0.45%
Depreciation and Amortisation	13.30%	18.12%
Impairment Losses	1.28%	12.28%
Repairs and Maintenance	5.29%	3.15%
Interest Paid	0.40%	0.71%
Bulk Purchases	37.31%	36.54%
Contracted Services	5.39%	4.97%
Grants and Subsidies Paid	0.04%	0.03%
General Expenses	20.81%	6.57%
Current Ratio:		
Creditors Days	64	52
Debtors Days	83	67

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

The services offered by Rustenburg Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	6 871 886 242	6 721 955 814	2.23	-	100.00
Operating income for the year	3 065 435 930	2 130 968 988	43.85	3 497 448 226	(12.35)
Appropriations for the year	238 266 979	(23 463 687)	(1 115.47)	-	100.00
	10 175 589 150	8 829 461 115	15.25	3 497 448 226	190.94
Expenditure:					
Operating expenditure for the year	2 982 309 292	2 168 802 013	37.51	2 508 369 037	18.89
Sundry transfers	-	(211 227 140)	(100.00)	-	-
Closing surplus / (deficit)	7 193 279 858	6 871 886 242	4.68	989 079 189	627.27
	10 175 589 150	8 829 461 115	15.25	3 497 448 226	190.94

4. RECONCILIATION OF BUDGET TO ACTUAL

4.1 Operating Budget:

DETAILS	2013	2012
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	989 079 189	319 048
Revenue variances	(432 012 296)	(146 842 854)
Expenditure variances:		
Employee Related Costs	(15 334 952)	(17 369 661)
Remuneration of Councillors	1 774 959	28 758
Collection Costs	(10 952)	1 040 962
Depreciation and Amortisation	(287 711 322)	(287 427 535)
Impairment Losses	(38 049 996)	(141 279 219)
Repairs and Maintenance	2 938 020	(161 553)
Interest Paid	(15 616)	10 365 004
Bulk Purchases	153 030 878	464 125 980
Contracted Services	10 227 200	9 489 605
Grants and Subsidies Paid	1 610 318	(586 729)
General Expenses	(302 398 792)	73 451 689
Loss on disposal of Property, Plant and Equipment	-	(2 986 521)
Actual surplus before appropriations	83 126 638	(37 833 026)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R7 193 279 859 (30 June 2012: R6 871 886 242) and is made up as follows:

Accumulated Surplus	7 193 279 858
	<u>7 193 279 858</u>

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 22 and the Statement of Change in Net Assets for more detail.

6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2013 was R86 924 000 (30 June 2012: R80 207 375).

Refer to Note 19 and Appendix "A" for more detail.

7. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2013 was R135 421 829 (30 June 2012: R119 388 617).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 20 for more detail.

8. NON-CURRENT PROVISIONS

Provision for Long-term Service	19 985 253
Provision for Rehabilitation of Land-fill Sites	-
	<u>19 985 253</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 21 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R978 042 425 as at 30 June 2013 (30 June 2012: R647 726 694) and is made up as follows:

Consumer Deposits	Note 14	25 906 811
Provisions	Note 15	53 590 293
Payables	Note 16	519 134 634
Unspent Conditional Grants and Receipts	Note 17	369 452 943
Current Portion of Long-term Liabilities	Note 19	9 373 953
		<u>978 042 425</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R6 618 956 649 as at 30 June 2013 (30 June 2012: R6 105 087 412).

Refer to Note 9 and Appendices "B, C and E (2)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R6 213 as at 30 June 2013 (30 June 2012: R123 847).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 10 and Appendix B for more detail.

12. INVESTMENT PROPERTIES

The net value of Investment Properties were R263 490 595 as at 30 June 2013 (30 June 2012: R270 526 291).

Refer to Note 11 and Appendix "B" for more detail.

13. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R475 438 as at 30 June 2013 (30 June 2012: R495 780).

The bulk of these investments are ring-fenced for purposes of the Capital Replacement Reserve, Unspent Conditional Grants and security for Long-term Liabilities, with the result that no significant amounts are available for own purposes.

Refer to Note 12 for more detail.

14. CURRENT ASSETS

Current Assets amounted R1 528 148 210 as at 30 June 2013 (30 June 2012: R1 357 148 800) and is made up as follows:

Inventories	Note 2	23 894 859
Non-current Assets Held-for-Sale	Note 3	56 917 471
Receivables from Exchange Transactions	Note 4	410 203 253
Receivables from Non-exchange Transactions	Note 5	85 022 633
VAT Receivable	Note 6	-
Cash and Cash Equivalents	Note 7	951 435 980
Operating Lease Assets	Note 8	642 164
Current Portion of Finance Lease Receivables	Note 13	31 850
		<hr/>
		1 528 148 210

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

15. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Note 24 and Appendix "F" for more detail.

16. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 50.

17. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2013

RUSTENBURG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

		Actual	
	Note	2013 R	2012 R
ASSETS			
Current Assets		1 528 148 210	1 357 148 800
Inventories	2	23 894 859	21 129 918
Non-current Assets Held-for-Sale	3	56 917 471	86 611 471
Receivables from Exchange Transactions	4	410 203 253	265 702 041
Receivables from Non-exchange Transactions	5	85 022 633	92 856 838
VAT Receivable	6	-	8 746 265
Cash and Cash Equivalents	7	951 435 980	881 546 146
Operating Lease Receivables	8	642 164	541 479
Current Portion of Finance Lease Receivables	13	31 850	14 642
Non-Current Assets		6 885 505 155	6 378 841 439
Property, Plant and Equipment	9	6 618 956 649	6 105 087 412
Intangible Assets	10	6 213	123 847
Investment Property	11	263 490 595	270 526 291
Non-current Investments	12	475 438	495 780
Finance Lease Receivables	13	2 576 259	2 608 109
Total Assets		8 413 653 365	7 735 990 239
LIABILITIES			
Current Liabilities		978 042 425	647 726 694
Consumer Deposits	14	25 906 811	23 614 930
Provisions	15	53 590 293	50 680 442
Payables	16	519 134 634	308 984 245
Unspent Conditional Grants and Receipts	17	369 452 943	244 204 714
VAT Payable	18	583 791	-
Current Portion of Long-term Liabilities	19	9 373 953	20 242 363
Non-Current Liabilities		242 331 082	216 377 304
Long-term Liabilities	19	86 924 000	80 207 375
Retirement Benefit Liabilities	20	135 421 829	119 388 617
Non-current Provisions	21	19 985 253	16 781 312
Total Liabilities		1 220 373 507	864 103 998
Total Assets and Liabilities		7 193 279 858	6 871 886 241
NET ASSETS		7 193 279 859	6 871 886 242
Accumulated Surplus / (Deficit)	22	7 193 279 859	6 871 886 242
Total Net Assets		7 193 279 859	6 871 886 242

RUSTENBURG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012	Budget			Note	Actual	
	2013 Original	2013 Adjusted			2013	2012
R	R	R			R	R
REVENUE						
Revenue from Non-exchange Transactions						
161 018 617	179 459 232	183 757 518	Property Rates	23	186 356 734	177 800 391
6 072 849	7 417 386	7 908 752	Fines		10 678 153	5 994 062
9 055 640	1 844 192	14 392 161	Licences and Permits		10 589 825	8 957 313
14 703 826	13 531 222	14 778 091	Income for Agency Services		14 670 282	7 599 099
266 597 883	282 915 139	1 167 103 320	Government Grants and Subsidies Received	24	945 826 955	462 845 808
Revenue from Exchange Transactions						
1 664 643 000	1 878 302 793	1 871 506 358	Service Charges	25	1 627 160 082	1 264 941 125
9 785 493	10 108 888	10 726 025	Rental of Facilities and Equipment	26	5 624 867	28 296 699
40 000 000	75 321 634	65 000 634	Interest Earned - External Investments	27	53 709 496	50 938 378
70 016 290	88 598 233	91 798 233	Interest Earned - Outstanding Debtors	27	110 594 400	125 550 747
-	-	-	Dividends Received		-	17 252
-	-	-	Royalties Received		-	-
35 838 156	24 768 340	32 796 245	Other Income	28	126 477 686	21 435 011
80 088	123 505 800	63 505 800	Gains on Disposal of Property, Plant and Equipment		2 051 054	-
-	-	(25 824 911)	Revenue Foregone		(28 303 604)	(23 406 896)
2 277 811 842	2 685 772 859	3 497 448 226	Total Revenue		3 065 435 930	2 130 968 988
EXPENDITURE						
329 725 643	403 054 506	423 660 303	Employee Related Costs	29	438 995 255	347 095 304
22 745 542	23 785 390	25 496 411	Remuneration of Councillors	30	23 721 452	22 716 784
10 751 153	10 486 510	19 952 010	Collection Costs		19 962 962	9 710 191
105 491 788	108 737 927	109 040 118	Depreciation and Amortisation	31	396 751 440	392 919 323
125 000 000	61 781 857		Impairment Losses	32	38 049 996	266 279 219
68 075 780	127 892 359	160 649 260	Repairs and Maintenance		157 711 240	68 237 333
25 853 607	11 914 202	11 914 202	Finance Costs	33	11 929 818	15 488 603
1 256 583 859	1 459 247 825	1 265 619 851	Bulk Purchases	34	1 112 588 973	792 457 879
117 334 667	141 377 284	171 018 754	Contracted Services	35	160 791 554	107 845 062
	289 388	2 712 620	Grants and Subsidies Paid	36	1 102 302	586 729
215 930 755	238 578 621	318 305 508	General Expenses	37	620 704 300	142 479 066
-	-	-	Loss on Disposal of Property, Plant and Equipment		-	2 986 521
2 277 492 794	2 587 145 869	2 508 369 037	Total Expenditure		2 982 309 292	2 168 802 013
319 048	98 626 990	989 079 189	SURPLUS / (DEFICIT) FOR THE YEAR		83 126 638	(37 833 026)
Refer to Appendix E(1) for explanation of budget variances						

RUSTENBURG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

Description	Housing Development Fund	Revaluation Reserve	Accumulated Surplus/(Deficit) Account	Total for Accumulated Surplus/(Deficit) Account	
2012	R	R	R	R	
Balance at 30 June 2011		-	6 721 955 814	6 721 955 814	
Correction of error (Note 38)			211 227 140	211 227 140	
Restated Balance	-	-	6 933 182 954	6 933 182 954	
Surplus / (Deficit) for the year			(37 833 026)	(37 833 026)	
Other movements			(23 463 686)	(23 463 686)	
Balance at 30 June 2012	-	-	6 871 886 242	6 871 886 242	
2013					
Restated Balance	-	-	6 871 886 242	6 871 886 242	
Surplus / (Deficit) for the year			83 126 638	83 126 638	
Other movements (reserves)	-		238 266 979	238 266 979	
	-	-	7 193 279 859	7 193 279 858	

Details on the movement of the Funds are set out in Note 22.

RUSTENBURG LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

		Actual	
	Note	2013 R	2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	23	197 192 455	150 737 340
Grants	24	813 255 396	326 004 499
Public Contributions and Donations		7 323 330	(4 226 912)
Service Charges	25	1 574 068 670	904 278 588
Dividends Received		-	17 252
Royalties Received		-	-
Interest Received	27	53 709 496	50 938 378
Other Receipts		417 113 385	706 972 518
Payments			
Employee Related Costs	29	(426 932 289)	(344 839 928)
Remuneration of Councillors	30	(23 721 452)	(22 716 784)
Interest Paid	33	(11 929 818)	(15 488 603)
Suppliers Paid		(1 220 941 378)	(839 120 646)
Other Payments		(402 862 475)	(411 557 108)
NET CASH FLOWS FROM OPERATING ACTIVITIES		976 275 320	500 998 595
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(904 319 739)	(290 669 378)
Purchase of Intangible Assets	11	-	-
Purchase of Investment Property	12	-	(16 978 000)
Purchase of Heritage Assets	13	-	-
Proceeds on Disposal of Property, Plant and Equipment		2 051 054	1 270 000
Decrease / (Increase) in Non-current Investments	12	20 342	(112 350)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(902 248 344)	(306 489 728)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	19	(4 151 785)	(7 636 943)
Decrease/ (Increase) in finance lease receivable		14 642	(172)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(4 137 143)	(7 637 115)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT	7	69 889 833	186 871 750
Cash and Cash Equivalents at Beginning of Period		881 546 146	694 674 396
Cash and Cash Equivalents at End of Period		951 435 980	881 546 146

RUSTENBURG LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The following are the principal accounting policies of the , which are, in all material respects, consistent with those applied in the previous year. The historical cost convention has been used, except where indicated otherwise. Management has used assessments and estimates in preparing the annual financial statements – these are based on the best information available at the time of preparation. The financial statements have been prepared on a going concern basis.

1 BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the process of applying the Municipality's accounting policies, management has made the following significant accounting judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

2.1 Post-employment medical benefits

The cost of post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future medical fund contribution increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.2 Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on the history of payments made for municipal services over the last twelve months. This was performed per debtor for all classes of debtors.

2.3 Useful Life

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time. It is a subjective estimate based on management's experience.

2.4 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities, as set out in subsequent notes to the financial statements. Provisions are discounted where the effect of discounting is material using actuarial valuations.

2.5 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements

2.6 Standards, amendments to standards and interpretations issued but not yet effective.

Where a Standard of GRAP is approved as effective, it replaces the equivalent Statement of IPSAS, IFRS or SA GAAP. Where a standard of GRAP has been issued, but not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related Party Disclosures (Revised)
GRAP 25 Employee Benefits - issued December 2009
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010

ACCOUNTING POLICIES TO ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (CONTINUED)

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

GRAP 25 - Employee Benefits

Management has considered the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis

5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

ACCOUNTING POLICIES TO ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- The cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment whenever it is possible to reliably differentiate between the different components. Based on current service delivery backlogs to previously disadvantaged communities, it is not deemed to be cost efficient to incur substantial costs in order to determine the different components of existing infrastructure where the components were not accounted for separately from the onset.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

RUSTENBURG LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment, which are expected to be used for more than one period, are included in property, plant and equipment. In addition, spare parts and stand by equipment, which can only be used in connection with an item of property, plant, and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

	<u>YEARS</u>
<u>Infrastructure</u>	
Roads	30
Paving	20
Electricity	20 - 30
Water	15 - 20
Sewerage	20 - 30
 <i>Housing</i>	 30
 <i>Buildings</i>	 30
 <u>Other</u>	
Other vehicles	5
Office equipment	7
Computer equipment & software	5
Specialist vehicles	7
Security	5
Furniture and fittings	7
Bins and containers	5
Specialised plant and equipment	15
Other items of plant and equipment	5
Landfill sites	30
 <u>Community</u>	
Buildings	30
Recreational Facilities	20 - 30

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The useful life and residual value of assets are assessed annually to determine the appropriateness of management's initial estimate. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Residual values are applied to the following classes at the specified rates: Vehicles: 30% of the original cost price

Furniture, fittings and office equipment: 10% of the original cost price

Computers: 10% of the original cost price

Infrastructure: Nil, due to the fact that it is not the intention to ever sell infrastructure assets.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

7 HERITAGE ASSETS

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

8 INVESTMENT PROPERTY

Investment properties are held to earn rental income, and for capital appreciation, and are stated at cost less accumulated depreciation. Investment properties are written down for impairment where considered necessary.

Investment property excludes owner-occupied property that is used in the production or supply of goods or services, or for administrative purposes, or property held to provide a social service.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8 INVESTMENT PROPERTY (CONTINUED)

8.2 Subsequent Measurement - Cost Mode

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

9 NON CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is not depreciated or amortised while it is classified as held for sale.

10 IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

11 INVESTMENTS

Investment in Municipal Entities

Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate Consolidated Annual Financial Statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments, whilst eliminating transactions between the municipality and the entity.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12 INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are initially valued at cost and subsequently valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, nett of trade discounts and rebates.

Water are valued by using the (FIFO / weighted average) method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

13 FINANCIAL INSTRUMENTS

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Loans to/from Municipal Entities These are recognised at cost.

Investment in Municipal Entities

Separate Consolidated Annual Financial Statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments, whilst eliminating transactions between the municipality and the entity.

Debtors

Debtors are recognised at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors.

The provision is made in accordance with IAS 39.64 whereby the recoverability of Debtor is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39. Impairment losses are recognised in the statement of financial performance.

Government accounts are not provided for as such accounts are regarded as receivable.

Cash and cash equivalents

These are initially and subsequently recorded at fair value. For cash flow purposes, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. These are subject to an insignificant risk of changes in value.

Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Creditors

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. The Municipality does not hold financial loans for trading purposes.

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial Liabilities

"The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance."

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14 REVENUE RECOGNITION

14.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest, royalties and dividends:

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably

Interest is recognised, in surplus or deficit, using the effective interest rate method

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements

Dividends or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

13.2 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Rates, including collection charges and penalties interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses, the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential based on the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met.

Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant

If goods in kind are received without conditions attached, revenue is recognised immediately. If conditions are attached a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

15 PROVISIONS

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

15 PROVISIONS (CONTINUED)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed as a note to enable users to determine the risks involved.

16 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17 IRREGULAR EXPENDITURE

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

20 LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

20.1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

21 LEASES (CONTINUED)

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability

21.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

22 RETIREMENT BENEFITS

Short-term employee benefits

The cost of short term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments because of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to industry managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans, the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could affect the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the municipality is demonstrably committed to curtailment or settlement. When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

RUSTENBURG LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Other post retirement obligations

The municipality provides post retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

23 BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2012 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset.

The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

24 GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

23 VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

25 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

26 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

27 COMPARATIVE INFORMATION

27.1 Current year comparatives:

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items.

The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2011 to 30 June 2012.

27.2 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

28 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

"Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements."

29 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

30 CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2 012 R
1. GENERAL INFORMATION		
Rustenburg Local Municipality (the municipality) is a local government institution in Rustenburg, North West Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).		
2. INVENTORIES		
Consumable Stores - at cost	22 930 633	20 165 692
Water - at cost	964 226	964 226
Total Inventories	23 894 859	21 129 918

This reconciliation consists of consumables stores, maintenance materials and spare parts.

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

3. NON-CURRENT ASSETS HELD-FOR-SALE

Opening	86 611 471	-
Property Held-for-Sale - Sold	(29 694 000)	86 611 471
Total Non-current Assets Held-for-Sale	56 917 471	86 611 471
Liabilities associated with Non-current Assets Held-for-Sale	-	-
Net Non-current Assets Held-for-Sale	56 917 471	86 611 471

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	1 160 260 537	867 783 772	292 476 765
Electricity	325 414 516.91	215 625 165	109 789 352
Refuse	159 599 729.83	125 932 247	33 667 483
Sewerage	131 713 935.71	103 151 197	28 562 739
Water	543 532 354.47	423 075 163	120 457 191
Other Receivables	532 431 515	414 705 028	117 726 488
Other Debtors	532 431 515	414 705 028	117 726 488
Total Receivables from Exchange Transactions	1 692 692 052	1 282 488 800	410 203 253
As at 30 June 2012			
Service Debtors:	1 125 337 095	942 972 954	182 364 141
Electricity	231 090 590	193 641 689	37 448 901
Refuse	164 609 341	137 933 920	26 675 421
Sewerage	136 017 346	113 975 340	22 042 006
Water	593 619 818	497 422 004	96 197 814
Other Receivables	514 263 545	430 925 646	83 337 900
Housing	514 263 545	430 925 646	83 337 900
Other Debtors	514 263 545	430 925 646	83 337 900
Total Receivables from Exchange Transactions	1 639 600 641	1 373 898 600	265 702 041

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2 012
R

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2013

	Current <i>0 - 30 days</i>	Past Due			Total
		<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Electricity:					
Gross Balances	142 857 468.45	33 958 305.56	14 755 266.85	133 835 071.19	325 406 112
Less: Provision for Impairment	94 662 221	22 501 929	9 777 342	88 683 673	215 625 165
Net Balances	48 195 248	11 456 377	4 977 925	45 151 398	109 780 947
Refuse:					
Gross Balances	6 837 214.06	4 769 491.47	3 672 879.20	144 314 135.00	159 593 720
Less: Provision for Impairment	5 395 110	3 763 511	2 898 196	113 875 429	125 932 247
Net Balances	1 442 104	1 005 980	774 683	30 438 706	33 661 473
Sewerage:					
Gross Balances	7 598 225.26	4 069 632.77	3 092 813.99	116 953 263.69	131 713 936
Less: Provision for Impairment	5 950 517	3 187 115	2 422 124	91 591 441	103 151 197
Net Balances	1 647 708	882 518	670 690	25 361 823	28 562 739
Water:					
Gross Balances	27 591 639.29	21 620 700.48	15 141 289.13	479 177 961.30	543 531 590
Less: Provision for Impairment	21 476 833	16 829 162	11 785 706	372 983 462	423 075 163
Net Balances	6 114 806	4 791 538	3 355 583	106 194 499	120 456 427
Other receivables:					
Gross Balances	11 840 759.55	12 182 546.10	11 215 183 034.00	497 208 449.80	11 736 414 789
Less: Provision for Impairment	418 392	430 469	396 287 357	17 568 810	414 705 028
Net Balances	11 422 368	11 752 077	10 818 895 677	479 639 640	11 321 709 762

	Current <i>0 - 30 days</i>	Past Due			Total
		<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:					
Gross Balances	196 725 307	76 600 676	11 251 845 283	1 371 488 881	12 896 660 147
Less: Provision for Impairment	127 903 073	46 712 187	423 170 724	684 702 815	1 282 488 800
Net Balances	68 822 233	29 888 489	10 828 674 559	686 786 066	11 614 171 348

As at 30 June 2012

	Current <i>0 - 30 days</i>	Past Due			Total
		<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Electricity:					
Gross Balances	96 109 890	15 155 665	9 288 627	110 536 408	231 090 590
Less: Provision for Impairment	80 535 004	12 699 646	7 783 378	92 623 662	193 641 689
Net Balances	15 574 887	2 456 019	1 505 249	17 912 746	37 448 901
Refuse:					
Gross Balances	13 239 650	3 580 040	3 392 833	144 396 818	164 609 341
Less: Provision for Impairment	95 282	102 747	100 876	137 635 014	137 933 920
Net Balances	13 144 368	3 477 293	3 291 957	6 761 803	26 675 421
Sewerage:					
Gross Balances	11 869 795	3 127 763	2 963 860	118 055 927	136 017 346
Less: Provision for Impairment	78 732	84 900	83 354	113 728 353	113 975 340
Net Balances	11 791 063	3 042 863	2 880 505	4 327 574	22 042 006
Water:					
Gross Balances	45 598 864	12 962 653	11 375 279	523 683 022	593 619 818
Less: Provision for Impairment	343 610	370 530	363 783	496 344 081	497 422 004
Net Balances	45 255 254	12 592 123	11 011 496	27 338 941	96 197 814
Other Receivables:					
Gross Balances	19 300 201	11 719 024	11 018 202	472 226 118	514 263 545
Less: Provision for Impairment	297 676	320 997	315 152	429 991 821	430 925 646

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2 012 R
Net Balances	19 002 526	11 398 027	10 703 050	42 234 297
				83 337 900

As at 30 June Receivables of R265 702 041 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:					
Gross Balances	186 118 402	46 545 146	38 038 800	1 368 898 293	1 639 600 641
Less: Provision for Impairment	81 350 304	13 578 820	8 646 544	1 270 322 932	1 373 898 600
Net Balances	104 768 098	32 966 326	29 392 256	98 575 361	265 702 041

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	75 180 397	59 600 717	3 162 642	65 415 660
<u>Past Due:</u>				
31 - 60 Days	45 018 882	20 331 676	2 523 223	1 229 207
61 - 90 Days	35 934 278	11 759 050	1 301 063	1 162 635
+ 90 Days	1 364 553 513	93 741 427	54 499 324	46 960 987
Sub-total	1 520 687 070	185 432 870	61 486 251	114 768 488
Less: Provision for Impairment	1 390 862 099	87 965 113	-	44 988 588
Total Trade Receivables by Customer Classification	129 824 971	97 467 756	61 486 251	69 779 900

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2 012 R
	2013 R	2012 R
4.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	1 373 898 600	1 103 731 780
Impairment Losses recognised	(91 409 800)	248 696 735
VAT on impairment losses	-	21 470 085
Balance at end of year	1 282 488 800	1 373 898 600

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, now included in Trade Receivables from Non-exchange Transactions, in terms of GRAP 104.

4.4 Ageing of impaired Receivables from Exchange Transactions

Current:

0 - 30 Days	127 903 073	81 350 304
-------------	-------------	------------

Past Due:

31 - 60 Days	46 712 187	13 578 820
61 - 90 Days	423 170 724	8 646 544
+ 90 Days	684 702 815	1 270 322 932

Total	1 282 488 800	1 373 898 600
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4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	168 074 381	126 839 552	41 234 829
Payments made in Advance	(17 548 141)		(17 548 141)
Short-term Loans	2 144 620		2 144 620
Sundry Debtors	58 952 497		58 952 497
Insurance Claims	238 829		238 829
Total Receivables from Non-exchange Transactions	211 862 185	126 839 552	85 022 633

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Assessment Rates Debtors	178 910 102	149 917 201	28 992 901
Payments made in Advance	3 001 566	-	3 001 566
Short-term Loans	1 309 631	-	1 309 631
Sundry Debtors	59 320 604	-	59 320 604
Insurance Claims	232 136	-	232 136
Total Receivables from Non-exchange Transactions	242 774 038	149 917 201	92 856 838

Receivables from Non-exchange Transactions have been restated to correctly classify amounts held for Assessment Rates Debtors in terms of GRAP 104, previously included in Receivables from Exchange Transactions. Refer to Note 38 on "Correction of error" for details of the restatement.

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus two percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Assessment Rates:

Gross Balances	34 786 074	3 413 819.96	2 574 465	127 300 021	168 074 381
Less: Provision for Impairment	26 251 770	2 576 284	1 942 854	96 068 643	126 839 552

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

				2013 R	2 012 R
Net Balances	<u>8 534 304</u>	<u>837 536</u>	<u>631 611</u>	<u>31 231 378</u>	<u>41 234 829</u>

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2 012**
R

As at 30 June Receivables of R41 234 829 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	34 786 074	3 413 820	2 574 465	127 300 021	168 074 381
Less: Provision for Impairment	26 251 770	2 576 284	1 942 854	96 068 643	126 839 552
Net Balances	8 534 304	837 536	631 611	31 231 378	41 234 829

As at 30 June 2012

	Current	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	22 480 065	3 611 879	3 326 327	149 491 831	178 910 102
Less: Provision for Impairment	-	-	-	-	-
Net Balances	22 480 065	3 611 879	3 326 327	149 491 831	178 910 102

As at 30 June Receivables of R178 910 102 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	22 480 065	3 611 879	3 326 327	149 491 831	178 910 102
Less: Provision for Impairment	-	-	-	-	-
Net Balances	22 480 065	3 611 879	3 326 327	149 491 831	178 910 102

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	75 180 397	59 600 717	3 162 642	65 415 660
<u>Past Due:</u>				
31 - 60 Days	45 018 882	20 331 676	2 523 223	1 229 207
61 - 90 Days	35 934 278	11 759 050	1 301 063	1 162 635
+ 90 Days	1 364 553 513	93 741 427	54 499 324	46 960 987
Sub-total	1 520 687 070	185 432 870	61 486 251	114 768 488
Less: Provision for Impairment	1 390 862 099	87 965 113	-	44 988 588
Total Rates Debtors by Customer Classification	129 824 971	97 467 756	61 486 251	69 779 900

2013
R **2012**
R

5.3 Reconciliation of Provision for Impairment

Balance at beginning of year	149 917 200	131 044 978
Impairment Losses recognised	(23 077 648)	17 372 452
VAT on impairment losses		1 499 770
Balance at end of year	126 839 552	149 917 200

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, previously included in Receivables from Exchange Transactions, in terms of GRAP 104. Refer to Note 38 on "Correction of error" for details of the restatement.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

6. VAT RECEIVABLE

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2 012
R

VAT Payables is the Net Payables from all VAT Control Accounts and must agree to the VAT201 Return.

Vat Payable.

Vat Receivable.

Vat Payable.

	(23 624 874)
	32 371 139
-	8 746 265

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2 012 R
7. CASH AND CASH EQUIVALENTS		
Current Investments	899 278 366	825 799 511
Bank Accounts	52 142 014	55 733 836
Cash and Cash Equivalents	15 600	12 800
Total Bank, Cash and Cash Equivalents	951 435 980	881 546 146

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Deposits	46 397 311	85 499 475
<i>Absa Call Account</i>	1 410 974	5 018 936
<i>Momentum</i>	44 986 337	80 480 539
Notice Deposits	556 398 641	740 300 036
<i>First National Bank</i>	113 091 542	153 540 717
<i>Absa</i>	94 820 009	194 122 722
<i>Nedbank</i>	128 460 503	151 346 846
<i>Standard Bank</i>	130 019 474	155 853 318
<i>Kagiso Asset Management</i>	44 408 890	42 109 107
<i>Sanlam</i>	45 008 083	42 737 185
<i>Absa Guarantee Deposit</i>	590 141	590 141
Short-term Portion of Investments	899 278 366	(825 799 511)
Total Current Investment Deposits	602 795 952	825 799 511

7.2 Bank Accounts

Cash in Bank	52 126 414	55 733 836
Total Bank Accounts	52 126 414	55 733 836

The Municipality has the following bank accounts:

Primary Bank Account

ABSA - Main Branch, Rustenburg- Account Number 1220000458:

Cash book balance at beginning of year	37 732 020	88 909 208
Cash book balance at end of year	33 586 400	37 732 020
Bank statement balance at beginning of year	97 058 613	99 429 855
Bank statement balance at end of year	97 058 613	97 058 613

Housing Bank Account

ABSA - Main Branch, Rustenburg- Account Number 4054617192:

Cash book balance at beginning of year	18 001 816	18 441 125
Cash book balance at end of year	18 540 013	18 001 816
Bank statement balance at beginning of year	18 118 420	18 565 669
Bank statement balance at end of year	18 118 420	18 118 420

Interest is earned at market related interest rates per annum on favourable balances.

7.3 Cash and Cash Equivalents

Cash Floats and Advances	15 600	12 800
Total Cash on hand in Cash Floats, Advances and Equivalents	15 600	12 800

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

8. OPERATING LEASE ASSETS / RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	541 479	464 269
Operating Lease Revenue recorded	289 607	289 607
Operating Lease Revenue effected	(188 922)	(212 397)

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2 012 R
Total Operating Lease Assets	642 164	541 479

8.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 83 (2010: 1 to 84) years.

8.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	23 305 512	23 307 079
2 to 5 years	92 201 010	92 990 705
More than 5 years	517 303 139	520 273 014
Total Operating Lease Arrangements	632 809 661	636 570 798

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease in current year income of R23 103 (2011: R23 103).

The following payments have been recognised for Rental Income and Repairs and Maintenance Expense in the Statement of Financial Performance:

Rental Income	23 305 512	23 285 417
Repairs and Maintenance	-	-

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2013

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2012	1 152 490 218	963 588 588	3 888 788 830	100 219 776	6 105 087 412
Cost	1 152 490 218	1 336 432 698	6 664 308 623	188 322 891	9 341 554 430
- Completed Assets	1 152 490 218	1 328 515 239	6 601 995 917	188 322 891	9 271 324 264
- Under Construction	-	7 917 460	62 312 707	-	70 230 166
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(173 579)	(173 579)
Accumulated Depreciation:	-	(372 844 111)	(2 775 519 793)	(87 929 536)	(3 236 293 440)
- Cost	-	(372 844 111)	(2 775 519 793)	(87 929 536)	(3 236 293 440)
- Revaluation	-	-	-	-	-
Acquisitions	4 300 000	45 566 431	174 010 246	48 026 125	271 902 802
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction - Additions:	-	-	632 416 937	-	632 416 937
- Cost	-	-	-	-	-
- Transfer in	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	-	(87 186 735)	(281 164 571)	(21 246 805)	(389 598 111)
- Based on Cost	-	(87 186 735)	(281 164 571)	(21 246 805)	(389 598 111)
- Based on Revaluation	-	-	-	-	-
Carrying value of Disposals:	-	-	-	(489 328)	(489 328)
- Cost	-	-	-	(1 728 170)	(1 728 170)
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	1 238 842	1 238 842
- Based on Cost	-	-	-	1 238 842	1 238 842
- Based on Revaluation	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-
- Cost	-	-	-	-	-
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-
Impairment Losses	-	-	-	(363 063)	(363 063)
Capital under Construction - Completed	-	-	-	-	-
- Cost	-	-	-	-	-
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-
Carrying values at 30 June 2013	1 156 790 218	921 968 284	4 414 051 442	126 146 705	6 618 956 649
Cost	1 156 790 218	1 381 999 129	7 470 735 806	234 620 846	10 244 146 000
- Completed Assets	1 156 790 218	1 381 999 129	6 838 318 869	234 620 846	9 611 729 063
- Under Construction	-	-	632 416 937	-	632 416 937
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(536 642)	(536 642)
Accumulated Depreciation:	-	(460 030 846)	(3 056 684 364)	(107 937 499)	(3 624 652 709)
- Cost	-	(460 030 846)	(3 056 684 364)	(107 937 499)	(3 624 652 709)
- Revaluation	-	-	-	-	-
- Revaluation	-	-	-	-	-

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2012

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Other	
	R	R	R	R	
Carrying values at 01 July 2011	1 239 101 689	1 040 859 751	3 912 202 601	113 805 425	6 305 969 466
Cost	1 239 101 689	1 317 638 896	6 412 569 964	199 357 067	9 168 667 616
- Completed Assets	1 239 101 689	1 317 638 896	6 338 435 754	199 357 067	9 094 533 406
- Under Construction	-	-	74 134 210	-	74 134 210
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-
Accumulated Depreciation:	-	(276 779 145)	(2 500 367 363)	(85 551 642)	(2 862 698 150)
- Cost	-	(276 779 145)	(2 500 367 363)	(85 551 642)	(2 862 698 150)
- Revaluation	-	-	-	-	-
Acquisitions	-	10 876 343	189 425 953	20 184 917	220 487 212
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction - Additions:	-	7 917 460	62 312 707	-	70 230 166
- Cost	-	-	-	-	-
Additions	-	7 917 460	62 312 707	-	70 230 166
Transfer in	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	-	(96 064 966)	(275 152 430)	(21 598 307)	(392 815 702)
- Based on Cost	-	(96 064 966)	(275 152 430)	(21 598 307)	(392 815 702)
- Based on Revaluation	-	-	-	-	-
Carrying value of Disposals:	-	-	-	(4 498 588)	(4 498 588)
- Cost	-	-	-	(16 365 068)	(16 365 068)
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	11 866 480	11 866 480
Based on Cost	-	-	-	11 866 480	11 866 480
Based on Revaluation	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	(86 611 471)	-	-	-	(86 611 471)
Decreases in Revaluation	-	-	-	-	-
Impairment Losses	-	-	-	(173 579)	(173 579)
Capital under Construction - Completed	-	-	-	-	-
Other Movements	-	-	-	(7 500 092)	(7 500 092)
- Cost	-	-	-	(14 854 025)	(14 854 025)
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	7 353 933	7 353 933
Based on Cost	-	-	-	7 353 933	7 353 933
Based on Revaluation	-	-	-	-	-
Carrying values at 30 June 2012	1 152 490 218	963 588 588	3 888 788 830	100 219 776	6 105 087 412
Cost	1 152 490 218	1 336 432 698	6 664 308 623	188 322 891	9 341 554 430
- Completed Assets	1 152 490 218	1 328 515 239	6 601 995 917	188 322 891	9 271 324 264
- Under Construction	-	7 917 460	62 312 707	-	70 230 166
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(173 579)	(173 579)
Accumulated Depreciation:	-	(372 844 111)	(2 775 519 793)	(87 929 536)	(3 236 293 440)
- Cost	-	(372 844 111)	(2 775 519 793)	(87 929 536)	(3 236 293 440)
- Revaluation	-	-	-	-	-
- Revaluation	-	-	-	-	-

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment has been restated to disclose the effect of impairment not previously recognised on properties. Refer to Note 38 on "Correction of Error" for details of the restatement.

Furthermore, *Property, Plant and Equipment* has been restated to correctly disclose the properties held in terms of GRAP 16. Refer to Note 38 on "Correction of Error" for details of the restatement.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 Impairment of Property, Plant and Equipment

The amount of R210 032 (2011: R0) disclosed for impairment losses on Property, Plant and Equipment is in respect of an individual amount of impairment losses applicable to a redundant stock:

Other Assets:

210 032

210 032

10 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

6 213

The movement in Intangible Assets is reconciled as follows:

**Computer
Software**

Carrying values at 01 July 2012

123 847

Cost

921 281

Accumulated Amortisation

(797 434)

Acquisitions:

Purchased

Internally Developed

Amortisation:

Purchased

Internally Developed

(117 633)

(117 633)

Disposals:

At Cost

At Accumulated Amortisation

6 213

Carrying values at 30 June 2013

Cost

921 281

Accumulated Amortisation

(915 067)

**Computer
Software**

Carrying values at 01 July 2011

241 480

Cost

921 281

Accumulated Amortisation

(679 801)

Acquisitions:

Purchased

Internally Developed

-

-

-

Amortisation:

Purchased

Internally Developed

(117 633)

(117 633)

-

Disposals:

At Cost

At Accumulated Amortisation

-

-

-

Transfers:

At Cost

At Accumulated Amortisation

-

-

-

Carrying values at 30 June 2012

123 847

Cost

921 281

Accumulated Amortisation

(797 434)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

11 INVESTMENT PROPERTY

At Cost less Accumulated Depreciation

263 490 595

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

270 526 291

Cost

308 737 218

Accumulated Depreciation

(38 210 926)

Acquisitions during the Year

Depreciation during the Year

(7 035 695.89)

Disposals during the Year:

At Cost

-

At Accumulated Depreciation

-

Carrying values at 30 June

263 490 595

Cost

308 737 218

Accumulated Depreciation

(45 246 622)

Estimated Fair Value of Investment Property at 30 June

300 000 000

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

Refer to Appendix "B" for more detail on Investment Property.

12 NON-CURRENT INVESTMENTS

Listed

Listed Shares- 12 948 Sanlam shares

474 438

Unlisted

Investment in Municipal Entities - at cost

1 000

1 000

Financial Instruments

Fixed Deposits

558 387 062

Short-term Financial Instruments

44 408 890

Total Investments

All Investments

603 303 416

Less: Short-term Portion transferred to Current Investments

(602 827 977)

Total Non-current Investments

475 438

Market valuation of Listed Investments

Listed Shares

462 891

Council's valuation of Unlisted Investments

Investment in Municipal Entities

1 000

1 000

Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.

Unlisted Investments comprise the following:

(i) Investments in Municipal Entities as described below.

Fixed Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5.25% to 6.25 % per annum.

The Municipal Structures Act, Act 177 of 1998, requires local authorities to invest funds which are not immediately required with prescribed institutions and the period should be such that it will not be necessary to borrow funds a penalty rate of interest to meet commitments.

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R
13 FINANCE LEASE RECEIVABLES			
	Gross Balances R	Provision for Impairment R	
As at 30 June 2013			
Housing Selling Scheme Loans	437 117	(437 117)	
Other Finance Leases	2 608 109	-	
	<u>3 045 226</u>	<u>(437 117)</u>	
Less: Current Portion transferred to Current Receivables:- Other Finance Leases			
Total Long-term Receivables			
	Gross Balances R	Provision for Impairment R	
As at 30 June 2012			
Housing Selling Scheme Loans	437 117	(437 117)	
Other Finance Leases- Rustenburg Water Services Trust	2 622 751	-	
	<u>3 059 868</u>	<u>(437 117)</u>	
Less: Current Portion transferred to Current Receivables:- Other Finance Leases			
Total Finance Lease Receivables			
HOUSING SELLING SCHEME LOANS			
Loans were historically granted to the tenants of low cost housing erected by the municipality with funds provided by the State, in order to enable them to purchase the houses they previously rented from the municipality. The interest at 10,5% per annum and are repayable over 20 years. The interest rate is determined as per Council policy.			
13.1 Leasing Arrangements			
A finance lease was granted to the entity (RWST) for sewerage plant transferred by the municipality to the RWST. The lease is repayable over twenty years, in half yearly payments every year at the end of June and December due on 30 June 2025. The interest rate implicit in the lease is 11%. All leases are denominated in Currency Units.			
13.2 Amounts receivable under Finance Leases			
	Minimum Lease Payments		Present Value of Minimum Lease Payments
	2013 R	2012 R	2013 R
Within one year	317 993	302 851	31 850
In the second to fifth years, inclusive	1 439 244	1 757 237	359 534
Over five years	3 305 338	3 305 338	2 216 724
Less: Unearned Finance Income	(2 454 664)	(2 742 675)	
Present Value of Minimum Lease Payments Receivable	2 607 911	2 622 751	
Total Finance Lease Receivables	<u>2 607 911</u>	<u>2 622 751</u>	<u>2 608 109</u>
Unearned Finance Income			<u>(2 454 664)</u>
			2013 R
Included in the Annual Financial Statements as:			
Non-current Finance Lease Receivables			2 576 259
Current Finance Lease Receivables			31 850
Total Finance Lease Receivables			<u>2 608 109</u>
Management of the municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.			

14 CONSUMER DEPOSITS

Electricity and Water	25 906 811
Total Consumer Deposits	<u>25 906 811</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>-</u>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

15 PROVISIONS

Provision for legal claim	16 978 000
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20)	3 978 912
Rehabilitation of Land-fill Sites	30 997 776
Current Portion of Non-Current Provisions (See Note below):	1 635 605
Long-term Service	1 635 605
Total Provisions	53 590 293

The movement in provisions are reconciled as follows:

Current Provisions:

Landfill Sites:

Balance at beginning of year	28 294 440
Contributions to provision	2 703 336
Balance at end of year	30 997 776

Current Portion of Non-Current Provisions:

Long-term
R

30 June 2013

Balance at beginning of year	1 680 982
Contributions to provision	(45 377)
Balance at end of year	1 635 605

2013
R

16 PAYABLES

Trade Creditors	376 572 094
Payments received in Advance	40 539 518
Retentions	21 984 836
Staff Leave Accrued	23 815 929
Staff Salaries	(4 351 611)
Sundry Deposits	1 771 509
Other Creditors	58 802 359
Total Creditors	519 134 634

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

17.1 Conditional Grants from Government

National Government Grants	369 452 943
Provincial Government Grants	335 011 129
Local Government Grants	3 988 560
Other Spheres of Government	13 172
	30 440 082

17.2 Other Conditional Receipts

Public Contributions	-
	-

Total Conditional Grants and Receipts

369 452 943

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 24 for the reconciliation of Grants from Government and for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Refer to Appendix "F" for more detail on Conditional Grants.

18 VAT PAYABLE

VAT Payable is the Net Payable from all VAT Control Accounts and must agree to the VAT 201 Return.

Vat Payable.	(43 855 840)
Vat Receivable.	43 272 049
Vat Payable	(583 791)

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

19 LONG-TERM LIABILITIES

Finance Lease Liabilities	4 251 613
Other Loans	92 046 340
Sub-total	<u>96 297 953</u>
Less: Current Portion transferred to Current Liabilities:-	9 373 953
Finance Lease Liabilities	1 516 949
Other Loans	7 857 004
Total Long-term Liabilities (Neither past due, nor impaired)	<u><u>86 924 000</u></u>

19.1 Summary of Arrangements

Finance Lease Liabilities relates to Vehicles and IT Equipment with lease terms of 5 (2011: 5) years. The effective interest rate on Finance Leases is 10%. Capitalised Lease Liabilities are secured over the items of vehicles and Other Loans are repaid over a period of 15 years and at interest rates varying from 11.92% to 13.82% per annum.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Refer to Appendix "A" for more detail on Long-term Liabilities.

2013
R

20 RETIREMENT BENEFIT LIABILITIES

20.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	123 115 637
Contributions to Provision	16 285 104
Balance at end of Year	<u>139 400 741</u>
Transfer to Current Provisions	(3 978 912)
Total Post-retirement Health Care Benefits Liability	<u><u>135 421 829</u></u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	1 148
In-service Non-members (Employees)	652
Continuation Members (Retirees, widowers and orphans)	120
Total Members	<u><u>1 920</u></u>

The liability in respect of past service has been estimated as follows:

In-service Members	73 775 251
Continuation Members	53 324 655
In-service - Non Members	12 300 835
Total Liability	<u><u>139 400 741</u></u>

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.92%
Health Care Cost Inflation Rate	7.82%
Net Effective Discount Rate	1.02%
Expected Rate of Salary Increase	-
Expected Retirement Age - Females	63
Expected Retirement Age - Males	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	123 115 637
Current service costs	6 290 554
Interest cost	9 616 725
Benefits paid	(3 641 574)
Actuarial losses / (gains)	4 019 399

Present Value of Fund Obligation at the end of the Year

139 400 741

Total Recognised Benefit Liability

139 400 741

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	139 400 741
Present value of unfunded obligations	-

Unfunded Accrued Liability

139 400 741

Total Benefit Liability

139 400 741

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	6 290 554
Interest cost	9 616 725
Actuarial losses / (gains)	4 019 399

Total Post-retirement Benefit included in Employee Related Costs (Note 39)

19 926 678

The history of experienced adjustments is as follows:

	2013 R	2012 R
Present Value of Defined Benefit Obligation	139 400 741	123 115 637
Deficit	139 400 741	123 115 637

21 NON-CURRENT PROVISIONS

Provision for Long Service Awards

19 985 253

Total Non-current Provisions

19 985 253

The movement in Non-current Provisions are reconciled as follows:

	Long-service R
30 June 2013	
Balance at beginning of year	18 462 294
Contributions to provision	4 839 546
Expenditure incurred	(1 680 982)
	21 620 858
Transfer to current provisions	(1 635 605)
Balance at end of year	19 985 253

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

Long-service Awards

21.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees after 10 years of continuous service, and every 5 years of continuous service for years of service. The provision is an estimate of the long-service based on historical staff turnover. Additional cash/ gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

2013
R

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.92%
Net Effective Discount Rate	1.02%
Expected Rate of Salary Increase	-
Expected Retirement Age - Females	63
Expected Retirement Age - Males	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	18 462 294
Current service costs	6 290 554
Interest cost	9 616 725
Benefits paid	(3 641 574)
Actuarial losses / (gains)	4 019 399

Present Value of Fund Obligation at the end of the Year

34 747 398

Total Recognised Benefit Liability

34 747 398

13 126 540.00

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	34 747 398
Present value of unfunded obligations	34 747 398

Unfunded Accrued Liability

34 747 398

Total Benefit Liability

34 747 398

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	6 290 554
Interest cost	9 616 725
Actuarial losses / (gains)	4 019 399

Total Post-retirement Benefit included in Employee Related Costs (Note 39)

19 926 678

15 087 132.00

The history of experienced adjustments is as follows:

	2013 R	2012 R
Present Value of Defined Benefit Obligation	34 747 398	18 462 294
Deficit	34 747 398	18 462 294

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

22 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations

7 193 279 858

Total Accumulated Surplus

7 193 279 858

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

23 PROPERTY RATES

Actual Le

Residential
Commercial
Agricultural
State

98 192 434
83 290 605
4 301 784
571 912

Total Property Rates

186 356 734

Attributable to:

Continuing Operations

186 356 734

186 356 734

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

2013
R

24 GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share

239 749 000

Operational Grants

239 749 000

Conditional Grants

706 077 955

National: FMG

1 499 999

National: MIG

205 912 712

National: MSIG

800 000

National: DWAF

3 564 000

National- Department of Minerals & Energy (DME)

5 734 196

National- Neighbourhood Development Partnership Grant

-

National- 2010 FIFA WSDP

-

National- FIFA Host City Grant

-

National- Public Transport Infrastructure (PTIS)

456 737 988

Provincial- Department of Sports, Arts & Culture (DSAC)

21 265 000

Provincial- Department of Sports, Arts & Culture (DSAC)

561 415

Provincial- Seta: EPWP training

-

Provincial- COGTA

-

Provincial- Extended Public Works Programme (EPWP)

7 268 944

Provincial- LG Seta

38 849

Local- BPDm - Cleaning of cemeteries/LED Business Plans & other

-

Skills Levy

1 796 714

Grants from private organisations

Royal Bafokeng: Western By-pass

-

Mines

-

National Lottery

-

Seed funding

-

Housing DPLG

345 144

Other

552 995

Housing Project Account

-

Total Government Grants and Subsidies

945 826 955

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
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MFMA sec 123. (1) requires a municipality to disclose information on -

- (a) any allocations received by the municipality from -
 (i) an organ of state in the national or provincial sphere of government; or
 (ii) a municipal entity or another municipality;
 (c) how any allocations referred to in paragraph (a) were spent, per vote, excluding allocations received by the municipality as its portion of the equitable share or where prescribed otherwise because of the nature of the allocation;
 (d) whether the municipality has complied with the conditions of -
 (i) any allocations made to the municipality in terms of section 214(1)(c) of the Constitution; and
 (ii) any allocations made to the municipality other than by national organs of state;
 (e) the reasons for any non-compliance with conditions referred to in paragraph(d).

Operational Grants:

24.1 National: Equitable Share

239 749 000

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All qualifying indigents receive a discount of 50 % and 100% on services depending on their level of income. The income thresholds are as follows: R0 -R2280 qualifies for 100% on services plus 12 kl of water and 50Kwh electricity. R2201-R3500 qualifies for 50% on services plus 6 kl water and 50Kwh electricity. No funds have been withheld.

Conditional Grants:

24.2 National: FMG Grant

Balance unspent at beginning of year	(105 259)
Current year receipts	(1 500 000)
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	1 499 999
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>(105 259)</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

24.3 National: MIG Funds

Balance unspent at beginning of year	(87 772 014)
Current year receipts	(202 518 000)
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	205 912 712
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>(84 377 302)</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

24.4 National: MSIG Funds

Balance unspent at beginning of year	-
Current year receipts	(800 000)
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	800 000
Conditions met - transferred to Revenue: Capital Expenses	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

24.5 National: Department Water Affairs and Forestry (DWAF)

Balance unspent at beginning of year	0
Current year receipts	(3 564 000)
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	3 564 000
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>0</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAF to the municipality, the refurbishment of water infrastructure and the payment of salaries of staff transferred from DWAF. No funds have been withheld.

24.6 National: Department Minerals and Energy (DME)

Balance unspent at beginning of year	(1 297 978)
Current year receipts	(16 500 000)
Conditions met - transferred to Revenue: Operating Expenses	5 734 196
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>(12 063 783)</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

24.7 National: Neighbourhood Development Partnership Grant

Adjustment

Balance unspent at beginning of year	-
Current year receipts	-
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>

Expenses were incurred to promote rural development. No funds have been withheld.

24.8 National: 2010 FIFA WSDP

Balance unspent at beginning of year	-
Current year receipts	-
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>

This grant was for the 2010 Fifa world cup and the implementation of a plan for water and sanitation services in terms of the Water Services Act.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

24.9 National: FIFA Host City Grant

Balance unspent at beginning of year	-
Current year receipts	-
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-
	<u>-</u>

This grant is aimed at assisting cities with the hosting of the 2009 FIFA Confederations Cup and the 2010 FIFA World Cup.

24.10 National: Public Transport Infrastructure

Balance unspent at beginning of year	(104 459 514)
Current year receipts	(574 186 000)
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	456 737 988
	<u>(221 907 526)</u>

This grant was received to provide for accelerated planning, construction and improvement of public and non motorised transport networks.

24.11 Provincial: Department Sports, Arts and Culture (DSAC)

Balance unspent at beginning of year	(415 394)
Current year receipts	(670 000)
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	561 415
	<u>(523 980)</u>

This grant was received to transform rural and urban community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

24.12 Provincial: Seta- EPWP training

Balance unspent at beginning of year	-
Current year receipts	-
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-
	<u>-</u>

This grants was utilised to create job opportunities. The job opportunities generated by the EPWP grant are combined with training, education or skills development, with the aim of increasing the ability of people to earn an income once they leave the programme.

24.13 Provincial: COGTA

Balance unspent at beginning of year	(2 914 474)
Current year receipts	-
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-
	<u>(2 914 474)</u>

24.14 Provincial: Extended Public Works Programme (EPWP)

Balance unspent at beginning of year	-
Current year receipts	(7 837 000)
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Other Transfers: Grant debtor	7 268 944
Conditions still to be met - transferred to Liabilities (see Note 16)	(568 056)
	<u>-</u>

This grant was used to incentivise provincial departments to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour- intensive methods and the expansion of job creation in line with the EPWP guidelines.

24.15 Provincial: LG Seta

Balance unspent at beginning of year	(24 395)
Current year receipts	(31 500)
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Other Transfers: Grant debtor	38 849
Conditions still to be met - transferred to Liabilities (see Note 16)	(17 046)
	<u>-</u>

This grant was utilised to construct a training centre for pupils of the fire services division.

24.16 Local: BPD: Cleaning of cemeteries/ LED Business Plans & other

Balance unspent at beginning of year	(13 172)
Current year receipts	-
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	(13 172)
	<u>-</u>

This grant is received from district municipalities for the cleaning of cemeteries, LED business plans and various other initiatives.

24.17 Other: Royal Bafokeng: Western By-pass

Balance unspent at beginning of year	(4 563 739)
Current year receipts	-
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	(4 563 739)
	<u>-</u>

This grant was received with regards to the Western Bypass at the Royal Bafokeng Stadium, in order to ensure that the bypass made the stadium more accessible during the FIFA 2012 Soccer World Cup.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

24.18 Other: Mines

Balance unspent at beginning of year	4 342
Current year receipts	-
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-
	4 342

This grant relates to contributions received from mines for the maintenance and set up of air pollution monitoring stations.

24.19 Other: National Lottery

Balance unspent at beginning of year	(11 771)
Current year receipts	-
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-
	(11 771)

This grant was received from the National Lottery for the upgrading and maintaining of hospice facilities.

24.20 Other: Seed Funding

Balance unspent at beginning of year	(422 186)
Current year receipts	-
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-
	(422 186)

24.21 Other

Balance unspent at beginning of year	(10 370 060)
Current year receipts	(23 379 858)
Conditions met - transferred to Revenue: Operating Expenses	-
Conditions met - transferred to Revenue: Capital Expenses	-
Conditions still to be met - transferred to Liabilities (see Note 16)	23 959 853
	(9 790 065)

Mostly received from local business in the promoting to various business ventures.

24.22 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2011), government grant funding is expected to increase over the forthcoming three financial years.

25 SERVICE CHARGES

Sale of Electricity	1 137 197 199
Sale of Water	341 055 138
Refuse Removal	82 547 540
Sewerage and Sanitation Charges	66 360 206
Total Service Charges	1 627 160 082
Attributable to:	
Continuing Operations	1 627 160 082
	1 627 160 082

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

26 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Amenities	903 514
Rental Revenue from Buildings	1 640 661
Rental Revenue from Halls	1 233 959
Rental Revenue from Land	1 463 215
Rental Revenue from Other Facilities	383 517
Total Rental of Facilities and Equipment	5 624 867
Attributable to:	
Continuing Operations	5 624 867
	5 624 867

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

27 INTEREST EARNED

External Investments:

Bank Account	-
Investments	(53 709 496)
	(53 709 496)

Total Interest Received (53 709 496)

Interest - Notice Deposits	-
Interest - Other	-
Interest - Bank Account	-

Outstanding Debtors:

Finance Leases	-
Land Sales	55 262
Outstanding Billing Debtors	110 539 138
	110 594 400

Total Interest Earned **56 884 903**

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	(53 709 496)
Held-to-Maturity Investments	-
Loans and Receivables	110 594 400
	56 884 903

Interest Earned on Non-financial Assets -

56 884 903

28 OTHER REVENUE

Building Plan Fees	535 811
Bank charges recovered	226 637
Application for clearance certificate	489 183
Service connections	4 884 619
Reconnection fees	4 289 392
Network upgrade contributions	-
Cemetery Fees	902 221
Insurance Claims	-
Advertising Signs	1 467 942
Legal Cost Recovered	56 051
Prints	155 057
Telephone Cost Recovered	-
Tender Documents	1 408 330
Settlement discount	1 147 360
Surplus cash	40 796
Sundry Income	2 476 119
Swimming pool fees	79 626
Excessive Provisions and Reserves	108 318 542.00
	126 477 686

Total Other Revenue **126 477 686**

Attributable to:	
Continuing Operations	126 477 686
	126 477 686

29 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	291 198 583
Basic Salaries and Wages	265 176 503
Annual Bonus	17 244 843
Contribution to Leave Fund	8 777 236
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	80 579 369
Group Life	253 906
Medical	25 292 541
Pension	46 684 457
Industrial Council Levy	118 173
Skills Development Levy	3 138 339
UIF	2 507 626
Workmen's Compensation	2 584 328
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	13 863 068
Allowances	13 863 068
Housing Benefits and Allowances	1 456 837
Overtime Payments	32 453 730
Other Employee Cost	-
Defined Benefit Plan Expense:	19 443 668
Current Service Cost	8 854 548
Interest Cost	10 769 390
Benefits Paid	-5 322 556
Net Actuarial (gains)/losses recognised	5 142 286

Less: Employee Costs allocated to Property, Plant and Equipment -

Less: Employee Costs included in Other Expenses -

Total Employee Related Costs **438 995 255**

Attributable to:	
Continuing Operations	438 995 255
	438 995 255

No advances were made to employees. Loans to employees are set out in Note 18.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
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30 REMUNERATION OF COUNCILLORS

Mayor	809 610
Speaker	430 306
Chief Whip	517 488
Executive Committee Members	5 361 374
Councillors	14 158 017
Company Contributions to UIF, Medical and Pension Funds	2 444 657
Total Councillors' Remuneration	23 721 452

31 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	389 598 111
Amortisation: Intangible Assets	117 633.06
Depreciation: Investment Property	7 035 695.89

Total Depreciation and Amortisation	396 751 440
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Depreciation and Amortisation:

Amortisation: Intangible Assets	117 633
Depreciation: Property, Plant and Equipment	389 598 111
Depreciation: Investment Property	7 035 696
Total Depreciation and Amortisation	396 751 440

Attributable to:

Continuing Operations	396 751 440
	396 751 440

32 IMPAIRMENT LOSSES

32.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:

Property, Plant and Equipment	363 063
Intangible Assets	-
Investment Property	-

363 063

32.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:

Long-term Receivables	37 686 933
Receivables from Exchange Transactions	-
Receivables from Non-exchange Transactions	37 686 933

Impairment Losses Reversed:

Long-term Receivables	-
Receivables from Exchange Transactions	-
Receivables from Non-exchange Transactions	-

37 686 933

Total Impairment Losses

38 049 996

Attributable to:

Continuing Operations	38 049 996
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38 049 996

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

33 FINANCE COSTS

Finance Leases	-
Landfill Provision	-
Loans and Payables at amortised cost	11 929 818
Total Interest Expense	11 929 818
Total Interest Paid on External Borrowings	11 929 818
Attributable to:	
Continuing Operations	11 929 818
	11 929 818

34 BULK PURCHASES

Electricity	884 102 114
Water	228 486 859
Total Bulk Purchases	1 112 588 973

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased Magalies Water.

35 CONTRACTED SERVICES

Meter Reading	3 710 173
Professional Fees	14 116 598
Security Services	16 715 972
Valuation Services	794 904
IT Services	4 036 841
Training	6 360 461
Other Contracted Services	115 056 606
Total Contracted Services	160 791 554
Attributable to:	
Continuing Operations	160 791 554
	160 791 554

36 GRANTS AND SUBSIDIES PAID

Community Projects	1 051 979
Mayoral Discretionary Expenditure	-
Sport Events	50 323
Other Grants and Subsidies Paid	-
Total Grants and Subsidies	1 102 302

37 GENERAL EXPENSES

Included in General Expenses are the following:

Advertising	6 366 620
Afcon activities	65 465 823
AVM Online Vending Service	6 353 394
Audit Fees	4 828 446
Bad Debts Written Off	342 948 560
Bank Charges	5 917 402
Chemicals and Poison	234 882
Electricity	8 747 406
Energy Efficiency & Demand Side Management Grants	-
Entertainment	552 794
FIFA World Cup Expenditure	-
Grant: RBA Western Bypass	-
Hiring of Equipment	3 180 283
IDP Activities	3 676 334
Implement correction of audit queries	91 067
Insurance	3 325 928
Integrated Rapid Public Transport Network- PTISG	-
Lease Charges	897 795
Legal Costs	8 793 630
License fees	2 778 164
Materials and Stocks	3 999 443
Marketing Costs	605 324
Membership Fees	2 964 258
Photocopies	8 526 981
Postage and Telegrams	2 405 584
Printing of license cards	1 707 546
Protective Clothing & Safety Equipment	1 857 307
Refuse Removal	892 417
Rentals	7 914 077
Sanitation and Sewerage	853 300
Security Services	3 724 106
Stock Shortages/Surpluses	9 918
Telephone Cost	1 923 212
Training Costs	3 585 244
Transport Costs	41 192 880
Travelling and Subsistence	2 505 089
Uniforms	1 695 546
Urban Greening Programme	-
Volunteer Program	-
Ward Committee Management	4 539 751
Waste Management	1 992 069
Water	5 999 076
Website Hosting	-
Other General Expenses	57 652 646
Internal Charges	-
Total General Expenses	620 704 300

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental C other trading and economic services for support services rendered.

38 CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.

Prior Period Error note

Property, plant and equipment

Certain items of property, plant and equipment were erroneously not recognised in prior years, understating the balance of property, plant and equipment. These items is now recognised as non current assets and included in the Depreciation relating to such assets was recognised in the statement of financial performance.

Infrastructure assets were accounted for with twice and included with other assets and infrastructure assets. These assets as well as their depreciation was removed

Fines

In the previous financial year fines were only recognised on the cash basis. Although the accounting policy was aligned to be complaint with GRAP 23 in the financial statements, the policy was not correctly executed in that no receivable was made. The comparative figure for both fines and receivables in the previous year was restated to take this into account

Provision for rehabilitation of landfill sites

The classification of the provision was changed from non-current to current due to the fact that the municipality is not in possession of a valid licence to operate the landfill site. It may be possible that the municipality would have immediately which is why the provision is more appropriately classified as current.

The cumulative effect of all of the above had the following impact on the annual financial statements:

Statement of financial position

(Increase)/ Decrease in opening retained earnings	3 942 407.56
Increase in property, plant and equipment	-
Increase in investment property	-
(Increase)/ Decrease in accumulated depreciation	(137 511.11)
Increase in receivables from non-exchange revenue	3 672 740.40
Change in classification of the provision for rehabilitation of landfill sites from non current to current	7 477 636.85

Statement of financial performance

Increase in depreciation	137 511.11
Decrease in consulting fees	-
Decrease in impairment	-
Increase in income from fines	3 672 740.40
	3 810 251.51

39 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	83 126 638
Correction of Prior Year Errors	
Appropriations to/from Internal Reserves	
Depreciation and Amortisation	396 751 440
Impairment Losses on Property, Plant and Equipment	38 049 996
(Gains)/loss on Disposal of Property, Plant and Equipment	(2 051 054)
Other Movement on Property, Plant and Equipment	-
Contribution to Retirement Benefit Liabilities	16 033 212
Contribution to Provisions - Non-current	3 203 941
Contribution to Provisions - Current	2 909 851
Other movements	
Operating surplus before working capital changes	538 024 024
Decrease/(Increase) in Inventories	(2 764 941)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	29 694 000
Transfer to PPE to Non-Current Assets	-
Decrease/(Increase) in Receivables from Exchange Transactions	#REF!
Decrease/(Increase) in Receivables from Non-exchange Transactions	#REF!
Decrease/(Increase) in VAT Receivable	8 746 265
Decrease/(Increase) in Operating Lease Assets	(100 685)
Increase/(Decrease) in Consumer Deposits	2 291 881
Increase/(Decrease) in Payables	210 150 389
Increase/(Decrease) in Conditional Grants and Receipts	125 248 229
Increase/(Decrease) in VAT Payable	(583 791)
Cash generated by / (utilised in) Operations	#REF!

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

40 FINANCING FACILITIES

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

41.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	449 811 217
Unauthorised Expenditure current year	348 567 158
Approved by Council or condoned	(449 811 217)
Transfer to receivables for recovery (see Note 5)	-
Unauthorised Expenditure awaiting authorisation	<u>348 567 158</u>

41.2 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	73 466 505
Irregular Expenditure current year	95 204 108
Condoned or written off by Council	(98 177 789)
Transfer to receivables for recovery (see Note 5)	-
Irregular Expenditure awaiting condonement	<u>70 492 824</u>

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

42.1 Contributions to organised local government - SALGA

Opening Balance	-
Council Subscriptions	-
Amount Paid - current year	-
Amount Paid - previous years	-

Balance Unpaid (included in Creditors)

The balance unpaid represents contributions outstanding as at 30 June 2011. This was paid in 2012.

-

42.2 Audit Fees

Opening Balance	-
Current year Audit Fee	4 828 446
Amount Paid - current year	(4 828 446)
Amount Paid - previous years	-

Balance Unpaid (included in Creditors)

-

42.3 VAT

All VAT returns have been submitted by the due date throughout the year.

42.4 PAYE, Skills Development Levy and UIF

Opening Balance	-
Current year Payroll Deductions	52 083 739
Amount Paid - current year	(52 083 739)
Amount Paid - previous years	-

Balance Unpaid (included in Creditors)

-

Opening Balance

Current year Payroll Deductions and Council Contributions

Amount Paid - current year	105 774 035
Amount Paid - previous years	(105 774 035)

Balance Unpaid (included in Creditors)

-

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

42.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2013	Total	Outstanding up to 90 days
CLR SEGAOLE BENNY (Mr)	382	-
CLR MPULE GAONGALOE JEREMIAH	1 845	-
CLR DU PLESSIS GERT JACOBUS (Mr)	3 759	3 758.85
CLR PHIRI Jamett Mofolo(Mr)	318	317.57
CLR MMOLOTSI C N	29 727	1 464.49
CLR TLHAPI PERCY PHISTUS	81 910	2 890.62
CLR WILLEMSE M	66 027	2 869.32
CLR SEGALE M	27 763	504.23
CLR SEGALE M	14	-
CLR OMARJEE M	11 785	3 524.60
CLR SEGALE M	2 090	-
CLR COETZEE D	33 805	1 278.97
CLR MOSOME PAPAKI DAVID	44 652	3 147.93
CLR MOKOWE Ntswaki Emily	2 025	-
CLR BOTHOMANE POGISO (Mr)	77 151	2 805.36
CLR MOLATLHEGI PAKO RUEBEN (Mr)	1 613	1 454.92
CLR MZIZI J	17 790	808.54
CLR SERONGOANE PH	644	-
CLR SEPOTOKELE M	271	271.31
CLR MAKOPPO TIEHO	37 310	566.22
CLR BEUKES Ernest(Mr)	995	-
CLR VOSLOO Johannes Marthinus (Mr)	1 812	1 325.48
CLR MASHISHI-NTSIME Joyce Itumeleng(Me)	5 576	1 193.65
CLR MOTSHEGWE SANAH MMULE (Me)	186	-
CLR DLUNGE WELCOME	42 117	1 709.88
CLR MOTLHASEDI ROSINAH KGOMOTSO (Me)	17 331	271.00
CLR MATABOGE Amos Lekgotla(Mr)	2 529	-
DIBETSO-NYATHI NTEBALENG JEANNETE	13 353	2 019.89
CLR POOPEDI J M	9 521	163.76
CLR BEUKES Ernest(Mr)	863	606.93
CLR MOHUBE M M	3 715	669.42
	-	-
Total Councillor Arrear Consumer Accounts	306 101	33 623

30 June 2012	Total	Outstanding up to 90 days
Councillor Klaas NS	51 984	3 171
Councillor Molotsi KS	23 639	2 648
Councillor Tlhapi PP	78 140	4 020
Councillor Willemse LS	55 336	3 606
Councillor Segale AB	4 735	1 532
Councillor Seriteng SD	26 990	653
Councillor Mosome JL	50 032	2 333
Councillor Mokowe LJ & NE	25 341	837
Councillor Bothomane P	81 152	3 310
Councillor Magetse GD	31 803	970
Councillor Molefe JL	8 772	1 213
Councillor Molatlhegi PR	58 947	2 510
Councillor Masilo QS	11 706	249
Councillor Mzizi J	18 836	1 384
Councillor Motlokoa GV	17 822	2 745
Councillor Serongoane NJ	17 977	2 413
Councillor Banda JT	7 399	369
Councillor Sepotokele ML & M	9 514	7 029
Councillor Makopo LE	34 294	8 301
Councillor Van Der Wal CR	487	389
Councillor Vosloo JM	4 982	4 306
Councillor Mashishi JI	19 309	1 417
Councillor Dlunge W	35 532	2 810
Councillor Mothasedi RK	16 021	732
Councillor Poopedi JM	5 621	4 818
Councillor Vosloo JM	947	191
Councillor Segale M	1 559	852
Total Councillor Arrear Consumer Accounts	698 875	64 809

42.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

Non compliance with section 65 (e) and section (99)(2)(b) of the Municipal Finance Management Act. All the invoices are not paid within 30 days as required by section 65 (e) although an accrual is done at year end to re municipality did not incur interest due to the above non compliance.

Contracts were amended or extended without notifying the public as required by section 116(3) of the MFMA. A report will be tabled at Council in September to rectify the transgression.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

42.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were approved by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

2013
R

42.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

Purchased during the year	units (kWh)	905 093 126
Sold during the year	units (kWh)	<u>(732 818 984)</u>
Unaccounted	units (kWh)	<u>172 274 142</u>
Loss	units (kWh)	<u>172 274 142</u>
Loss %		19.03%
Loss (R): At Cost		85 310 155
At Selling Price		144 451 868

Electricity Losses occur due to *inter alia*, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Water:

	Lost Units	Tariff
30 June 2013	Unaccounted Water Losses	<u>12 703 238</u>
		<u>4.8900</u>
30 June 2012	Unaccounted Water Losses	<u>15 893 968</u>
		<u>4.5147</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

43 COMMITMENTS FOR EXPENDITURE

43.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Community
Other

792 770 436

784 932 336
7 838 100

- Approved but Not Yet Contracted for:-

Infrastructure
Community
Other

86 026 332

86 026 332

Total Capital Commitments

878 796 768

This expenditure will be financed from:

Capital Replacement Reserve
Government Grants
District Council Grants
Other Transfers and Grants

878 796 768

878 796 768

43.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 19.

44 FINANCIAL INSTRUMENTS

44.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>	
Non-current Investments		
Listed Investments	Amortised cost	
Fixed Deposits	Amortised cost	602 795 952
Finance Lease Receivables		
Housing Selling Scheme Loans	Amortised cost	(0)
Other Finance Leases	Amortised cost	2 639 960
Receivables from Exchange Transactions		
Electricity	Amortised cost	25 846 263
Refuse	Amortised cost	15 095 075
Sewerage	Amortised cost	12 364 387
Water	Amortised cost	50 712 596
Other Receivables	Amortised cost	49 709 296
Receivables from Non-exchange Transactions		
Assessment Rates Debtors	Amortised cost	16 306 570
Payments made in Advance	Amortised cost	3 001 566
Short-term Loans	Amortised cost	1 793 585
Sundry Debtors	Amortised cost	57 945 982
Insurance Claims	Amortised cost	259 923
Cash and Cash Equivalents		
Call Deposits	Fair value	46 397 311
Notice Deposits	Amortised cost	556 294 662
Short-term Portion of Investments	Amortised cost	602 691 973
Bank Balances	Fair value	52 126 414
Cash Floats and Advances	Fair value	15 600
Current Portion of Long-term Receivables		
Other Finance Leases	Amortised cost	(31 850)
SUMMARY OF FINANCIAL ASSETS		
Financial Assets at Amortised Cost:		
Non-current Investments	Listed Investments	
Non-current Investments	Fixed Deposits	602 795 952
Finance Lease Receivables	Housing Selling Scheme Loans	(0)
Finance Lease Receivables	Other Finance Leases	2 639 960
Receivables from Exchange Transactions	Electricity	25 846 263
Receivables from Exchange Transactions	Refuse	15 095 075
Receivables from Exchange Transactions	Sewerage	12 364 387
Receivables from Exchange Transactions	Water	50 712 596
Receivables from Exchange Transactions	Other Debtors	49 709 296
Receivables from Non-exchange Transactions	Assessment Rates Debtors	16 306 570
Receivables from Non-exchange Transactions	Payments made in Advance	3 001 566
Receivables from Non-exchange Transactions	Short-term Loans	1 793 585
Receivables from Non-exchange Transactions	Sundry Debtors	57 945 982
Receivables from Non-exchange Transactions	Insurance Claims	259 923
Current Portion of Long-term Receivables	Other Finance Leases	(31 850)
Cash and Cash Equivalents	Notice Deposits	556 294 662
Cash and Cash Equivalents	Short-term Portion of Investments	602 691 973
Financial Assets at Fair Value:		
Cash and Cash Equivalents	Call Deposits	46 397 311
Cash and Cash Equivalents	Bank Balances	52 126 414
Cash and Cash Equivalents	Cash Floats and Advances	15 600
		98 539 325

Total Financial Assets

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>	
Long-term Liabilities		
Finance Lease Liabilities	Amortised cost	
Other Loans	Amortised cost	76 091 404
Payables		
Trade Creditors	Amortised cost	(376 205 515)
Payments received in Advance	Fair value	(40 539 518)
Retentions	Amortised cost	(21 984 836)
Staff Leave Accrued	Amortised cost	(23 815 929)
Staff Salaries	Amortised cost	4 351 611
Sundry Deposits	Amortised cost	(1 771 509)
Other Creditors	Amortised cost	(39 991 310)
Current Portion of Long-term Liabilities		
Finance Lease Liabilities	Amortised cost	1 516 949
Other Loans	Amortised cost	7 857 004
SUMMARY OF FINANCIAL LIABILITIES		
Financial Liabilities at Amortised Cost:		
Long-term Liabilities	Finance Lease Liabilities	
Long-term Liabilities	Other Loans	76 091 404
Payables	Trade Creditors	(376 205 515)
Payables	Retentions	(21 984 836)
Payables	Staff Leave Accrued	(23 815 929)
Payables	Staff Salaries	4 351 611
Payables	Sundry Deposits	(1 771 509)
Payables	Other Creditors	(39 991 310)
Current Portion of Long-term Liabilities	Finance Lease Liabilities	1 516 949
Current Portion of Long-term Liabilities	Other Loans	7 857 004
		(373 952 131)
Financial Liabilities at Fair Value:		
Payables	Payments received in Advance	(40 539 518)
Total Financial Liabilities		(414 491 649.11)

44.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2011, as a result of the assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2013	Fair Value	30 June 2011
	Carrying Amount R	R	Carrying Amount R
FINANCIAL ASSETS			
Measured at Amortised Cost:	1 994 785 981	1 995 248 872	2 750 442 565
Listed Investments	-	462 891	-
Municipal Stock	-	-	-
Fixed Deposits	602 795 952	602 795 952	825 799 511
Notice Deposits	556 294 662	556 294 662	740 300 036
Short-term Portion of Investments	602 691 973	602 691 973	825 799 511
Trade Receivables from Exchange Transactions	153 727 617	153 727 617	265 702 041
Trade Receivables from Non-exchange Transactions	79 307 626	79 307 626	92 856 110
Current Portion of Long-term Receivables	(31 850)	(31 850)	(14 642)
Measured at Fair Value	98 539 325	98 539 325	141 246 111
Call Deposits	46 397 311	46 397 311	85 499 475
Bank Balances and Cash	52 142 014	52 142 014	55 746 636

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R
Total Financial Assets	<u>2 093 325 306</u>	<u>2 093 788 197</u>	<u>2 891 688 676</u>

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

FINANCIAL LIABILITIES

Measured at Amortised Cost:

Local Registered Stock Loans
Annuity Loans
Finance Lease Liabilities
Other Loans
Trade and Other Payables:
- Creditors
- Short-term Loans
- Current Portion of Long-term Liabilities

	(373 952 131)	(373 952 131)	376 145 502
	-	-	-
	-	-	749 625
	-	-	79 457 750
	76 091 404	76 091 404	-
	(459 417 489)	(459 417 489)	275 695 764
	-	-	-
	9 373 953	9 373 953	20 242 363

Measured at Fair Value

Payments Received in Advance
Bank Overdraft

	-	-	-
	-	-	-

Total Financial Liabilities

	(373 952 131)	(373 952 131)	376 145 502
--	---------------	---------------	-------------

Total Financial Instruments

	(373 952 131.42)		376 145 501.76
	2 467 277 437	2 467 740 328	2 515 543 174

Unrecognised Gain / (Loss)

462 891

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs are significant to the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments and quoted prices.

30 June 2013

	Level 1 R	Level 2 R	Level 3 R
FINANCIAL ASSETS			
Financial Instruments at Fair Value:			
Listed Investments	462 891	-	-
Fixed Deposits	-	602 795 952	-
Notice Deposits	-	556 294 662	-
Call Deposits	-	46 397 311	-
Short-term Portion of Investments	-	602 691 973	-
Bank Balances and Cash	-	52 142 014	-
Total Financial Assets	462 891	1 860 321 913	
FINANCIAL LIABILITIES			
Financial Instruments at Fair Value:			
Finance Lease Liabilities	-	-	-
Government Loans	-	-	-
Other Loans	-	76 091 404	-
Payments Received in Advance	-	-	-
Total Financial Liabilities	-	76 091 404	
Total Financial Instruments	462 891	1 784 230 508	

30 June 2012

	Level 1 R	Level 2 R	Level 3 R
FINANCIAL ASSETS			
Financial Instruments at Fair Value:			
Listed Investments	356 847	-	-
Fixed Deposits	-	825 799 511	-
Notice Deposits	-	740 300 036	-
Short-term Portion of Investments	-	825 799 511	-
Bank Balances and Cash	-	55 746 636	-
Total Financial Assets	356 847	2 533 145 167	
FINANCIAL LIABILITIES			
Financial Instruments at Fair Value:			
Finance Lease Liabilities	-	749 625	-
Other Loans	-	79 457 750	-
Payments Received in Advance	-	-	-
Total Financial Liabilities	-	80 207 375	
Total Financial Instruments	356 847	2 452 937 792	

44.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's capital structure remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 7, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

Gearing Ratio

2013
R

The gearing ratio at the year-end was as follows:

Debt	85 465 357
Cash and Cash Equivalents	(52 142 014)
Net Debt	<u>33 323 343</u>
Equity	<u>7 016 899 355</u>
Net debt to equity ratio	<u>0.47%</u>

Debt is defined as Long- and Short-term Liabilities

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

44.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risk to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role than would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality's activities.

The Department of Finance monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management is reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors when they enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal control system.

44.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed or

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and that additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

44.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

44.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates are fixed.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months is made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is most effective. Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

44.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient c as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term receivables, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit stanc any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Cour

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. T in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new custor in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financia Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever proced Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a l and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristic The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	2013 R
Fixed Deposit Investments	495 780
Finance Lease Receivable	2 608 109
Consumer Debtors	1 551 282 607
Other Debtors	227 552 482
Bank, Cash and Cash Equivalents	916 552 791
Maximum Credit and Interest Risk Exposure	2 698 491 768

R 2 012

210 032

210 032

6 213

Total

123 847

921 281
-797 434

--

-117 633

-117 633
-

--

6 213

921 281
-915 067

Total

241 480

921 281
-679 801

-
-
-

-117 633

-117 633
-

-
-
-

-
-
-

123 847

921 281
-797 434

2 012
R

270 526 291

277 625 543
308 737 218
-31 111 675

16 978 000
-7 099 252

-
-
-

270 526 291
308 737 218
-38 210 926

300 000 000

494 780

1 000
1 000

783 690 404
42 109 107

826 295 291
-825 799 511

495 780

356 847

1 000
1 000

gainst the investment at a

2 012
R

Net
Balances
R

-0
2 608 109
2 608 109
-31 850
-31 850
2 576 259

Net
Balances
R

-0
2 622 751
2 622 751
-14 642
-14 642
2 608 109

These loans currently attract

ber, with the last instalment

im Lease Payments

2 012
R

14 642
391 385
2 216 724

2 622 751
-2 742 675

2 012
R

2 608 109
14 642
2 622 751

23 614 930
23 614 930
30 579 819

air accounts, the

2 012
R

16 978 000
3 727 020
28 294 440
1 680 982
1 680 982
50 680 442

25 826 864
2 467 576
28 294 440

Service
R

1 450 049
230 933
1 680 982

2 012
R

171 328 853
33 288 481
11 173 360
19 048 338
1 569 453
8 762 317
63 813 442
308 984 245

ice. Thereafter interest is

236 881 384
210 405 879
3 354 263
13 172
23 108 070
7 323 330
7 323 330
244 204 714

nised. No grants were

-
-
-

2 012
R

4 251 613
96 198 125
<hr/> 100 449 738
20 242 363
3 501 988
16 740 375
<hr/>
<hr/> 80 207 375

Equipment leased.

2 012
R

124 503 762
-1 388 125
<hr/> 123 115 637
-3 727 020
<hr/>
<hr/> 119 388 617

Municipality is associated, a
ee. The municipality

it obligation, and the related

1 053
500
123
<hr/>
<hr/> 1 676

71 922 145
51 193 492
-
<hr/>
<hr/> 123 115 637

2 012
R

0
0
0
0
63
63

124 503 762
5 290 276
10 712 588
-3 406 044
-13 984 945

123 115 637

123 115 637

123 115 637
123 115 637
-

123 115 637

123 115 637

5 290 276
10 712 588
-13 984 945

2 017 919

2 011
R

124 503 762

124 503 762

16 781 312

16 781 312

Awards

R

14 497 817
5 414 526

(1 450 049)
18 462 294

(1 680 982)

16 781 312

2 012
R

Land-fill Sites

on 10 years of service to 45

value of the defined benefit

2 012
R

0
0
0
63
63

14 497 817
1 829 180
1 068 470
-1 450 049
2 516 876

18 462 294

18 462 294

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18 462 294

18 462 294

1 829 180
1 068 470
2 516 876

5 414 526

2 011
R

14 497 817

14 497 817

2 012
R

6 871 886 241

6 871 886 241

ivies

95 134 605
72 840 389
4 495 165
5 330 232

177 800 391

177 800 391

2 012
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227 659 000

227 659 000

235 186 808

1 409 325
128 675 283
790 000
1 529 350
9 205 057
-
3 892 914
800 686
73 540 486
-
635 708
477 335
52 649
11 904 585
268 105
1 699 750
-

-

344 780

-

40 959

-

-917 899

-

837 734

462 845 808

2 012
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м;

227 659 000

-264 584
-1 250 000
1 409 325
-
-105 259

-49 500 297
-166 947 000
128 675 283
-
-87 772 014

-
-790 000
790 000
-
-

-923 350
-606 000
1 529 350
-
0

-103 035
-10 400 000
-
9 205 057
-1 297 978

-58 297
-
58 297
-
-

-3 892 914
-
3 892 914
-
-

2 012
R

-800 686
-
800 686
-
-
-

-16 712 818
-178 000 000
73 540 486
-
-121 172 332

-381 102
-670 000
635 708
-
-415 394

-
-477 335
477 335
-
-

-2 967 123
-
52 649
-
-2 914 474

-
-7 159 000
11 904 585
-
4 745 585

-
-292 500
268 105
-
-24 395

-612 922
-1 100 000
1 699 750
-
-13 172

-4 563 739
-
-
-
-4 563 739

2 012
R

-340 438
-
344 780
-
4 342

-11 771
-
-
-
-11 771

-463 145
-
-
40 959
-422 186

-3 096 417
-3 309 013
-917 899
-
-7 323 329

842 207 066
279 921 762
74 725 599
68 086 699
1 264 941 125

1 264 941 125
1 264 941 125

906 363
1 504 754
1 208 565
24 028 770
648 247
28 296 699

28 296 699
28 296 699

2 012
R

6 245 799
44 692 579

50 938 378

50 938 377

34 563 824
10 128 755
6 245 799

-
58 785
125 491 962

125 550 747

176 489 125

85 502 201
-34 563 823

125 550 747
176 489 125

-

176 489 125

391 635
237 776
300 212
5 443 261
6 190 255
-
809 528
-
1 238 856
148
161 455
896
754 220
413 891
147 975
5 179 452
165 452
-

21 435 011

21 435 011

21 435 011

240 396 505
220 234 296
14 001 461

6 160 748

64 808 036
239 574
21 645 145
38 414 443
71 743
2 457 480
1 979 651
-

11 757 564

11 757 564

1 579 648
27 621 504
184 296
2 576 352

7 119 456
11 781 058
-4 856 093
-11 468 069

555 375
-2 383 975

347 095 304

347 095 304

347 095 304

R 2 012

839 993
614 200
507 362
5 177 124
13 352 004
2 226 101

22 716 784

385 789 105
117 633
7 012 585

392 919 323

117 633
385 789 105
7 012 585
392 919 323

392 919 323
392 919 323

173 579

173 579
-
-

173 579

266 069 187

-
248 696 735
17 372 452

-
-
-
-

266 069 187

266 242 765

266 242 765

266 242 765

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R

614 756
2 467 576
12 406 270

15 488 603

15 488 603

15 488 603

15 488 603

600 307 160
192 150 719

792 457 879

from Rand Water and

2 590 058
2 641 754
11 354 445
415 113
3 197 046
4 115 613
83 531 034

107 845 062

107 845 062

107 845 062

523 983

62 746

-

586 729

4 191 953

-

5 126 836

4 677 215

-7 927 692

5 549 221

300 790

6 772 572

-

1 123 690

-

-

2 585 711

1 376 945

1 550 080

4 089 373

-

1 225 386

7 077 069

3 387 672

3 013 032

829 602

2 626 981

5 432 332

1 878 805

1 458 762

1 395 999

975 909

1 062 034

889 474

2 344 765

2 360 100

5 822 404

3 018 536

29 135 730

1 843 491

1 068 925

-

-

4 861 617

3 646 680

6 066 654

106 307

21 534 105

142 479 066

R

Charges are charged to

re fixed assets register.

estimate for spot fines

ive to rehabilitate the site

(218 210 951.38)
 210 519 728.49
 2 900 000.00
 (2 192 589.28)
 1 735 150.77

(5 248 661.40)

7 068 264.51
 (48 000.00)
 (36 453.00)
 (1 735 150.77)
5 248 660.74

-37 833 026
 -2 192 589

392 919 323
 392 815 702
 2 986 521
 22 354 117

#REF!
 #REF!
 #REF!
 -6 218 396

#REF!

#REF!
 #REF!
 #REF!
 #REF!
 #REF!
 #REF!
 585 858
 129 419 628
 141 068 220
 -6 372 896

#REF!

2 012
R

83 808 982
449 811 217
-83 808 982

449 811 217

8 871 954
73 466 505
-8 871 954

73 466 505

486 240
2 121 932
-2 608 172
-

-

-
2 630 048
-2 630 048
-

-

44 612 599
-44 612 599
-

-

-
85 692 157
-85 692 157
-

-

R 2 012

Outstanding
more than
90 days

382
1 845
-
-
28 262
79 019
63 158
27 258
14
8 260
2 090
32 526
41 504
2 025
74 346
158
16 982
644
-
36 744
995
486
4 382
186
40 407
17 060
2 529
11 333
9 357
257
3 045

505 256

Outstanding
more than
90 days

48 813
20 991
74 119
51 730
3 203
26 337
47 700
24 504
77 842
30 834
7 559
56 436
11 457
17 452
15 077
15 563
7 029
2 485
25 993
98
676
17 892
32 722
15 289
803
755
706

634 065

justify the transgression. The

2 012
R

2 012
R

1 318 865 728
<u>-1 024 540 054</u>
<u>294 325 674</u>
<u>294 325 674</u>

0

141 447 012

ind faulty meters and repair

Value

<u>62 118 833</u>
<u>71 755 727</u>

ind faulty meters and repair

R

158 390 234

144 735 604
7 508 835
6 145 795

888 772 984

795 085 427
13 724 000
79 963 557

1 047 163 218

380 897 117

666 266 101

-

-

1 047 163 218

825 799 511

-0

2 637 393

37 448 901

26 675 421

22 042 006

96 197 814

83 337 900

28 992 901

3 001 566

1 309 631

59 319 876

232 136

85 499 475

740 300 036

825 799 511

55 733 836

12 800

-14 642

825 799 511

-0

2 637 393

37 448 901

26 675 421

22 042 006

96 197 814

83 337 900

28 992 901

3 001 566

1 309 631

59 319 876

232 136

-14 642

740 300 036

825 799 511

85 499 475

55 733 836

12 800

141 246 111

2 012
R

2 012
R

749 625
79 457 750

171 328 853
33 288 481
11 173 360
19 048 338
1 569 453
8 762 317
63 813 442

3 501 988
16 740 375

749 625
79 457 750

171 328 853
11 173 360
19 048 338
1 569 453
8 762 317
63 813 442

3 501 988
16 740 375

376 145 502

33 288 481

33 288 481

409 433 983

approximates their carrying

of Trade Receivables were

observable current market

short-term maturity of these

2012
Fair
Value
R

2 750 799 412

356 847
825 799 511
740 300 036
825 799 511
265 702 041
92 856 110
-14 642

141 246 111

85 499 475
55 746 636

2 012
R

2 892 045 523

2 012
R

376 145 502
749 625
79 457 750
275 695 764
20 242 363

--

376 145 502
2 515 900 021
356 847

quoted prices are used in the

in active markets for similar

inputs have a significant effect
between the instruments.

Total
R

462 891
602 795 952
556 294 662
46 397 311
602 691 973
52 142 014
1 860 784 804

76 091 404

76 091 404
1 784 693 399

Total
R

356 847
825 799 511
740 300 036
825 799 511
55 746 636
2 533 502 014

749 625
79 457 750

80 207 375
2 453 294 639

municipality's overall strategy

disclosed in Note 16 and the

Net Assets.

2 012
R

2 012
R

100 449 738
-55 746 636
<hr/>
44 703 102
<hr/>
6 677 636 374
<hr/>
0
<hr/>

ks faced by the municipality,

icipality through internal risk

l role in creating or changing
unicipality in undertaking its

nt policies and systems are
s. The municipality does not

ernal audit function.

1 the reporting date.

l investment securities.

h to managing liquidity is to
ion.

neous basis and, if required,

applicable are fixed interest

1ths shall be made.

ure is applicable in terms of

2 012
R

collateral, where appropriate,

ding. The credit exposure to
coll.

he municipality is compelled
ners who acquire properties

I condition of these debtors.

ure is applicable in terms of

represented by the carrying
arge number of consumers,

s if they are related entities.

2 012
R

495 780
2 608 109
1 639 600 641
242 773 310
881 546 146

2 767 023 986

RUSTENBURG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

44 FINANCIAL INSTRUMENTS (Continued)

44.8 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2013

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		602 795 952	494 841 970	-	-	-	-
Bank Balances and Cash	7		348 640 027	47 127 950	-	-	-	-
Total Fixed Rate Instruments			951 435 980	541 969 920	-	-	-	-

30 June 2012

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		825 799 511	262 788 944	-	-	-	-
Bank Balances and Cash	7		55 746 636	31 245 683	-	-	-	-
Total Fixed Rate Instruments			881 546 146	294 034 627	-	-	-	-

44.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

45 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Municipal Gratuity Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

Municipal Councillors Pension Fund:

Municipal Joint Pension Fund:
Municipal Joint Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund:
The Municipal Employees Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (22,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Gratuity Fund:

46 RELATED PARTY TRANSACTIONS

46.1 Services rendered to Related Parties		
Transactions with key management personnel		
Due to the nature of the municipality, there are services provided to some of the key management personnel however they are provided at municipal approved rates applicable to all members of the public.		
46.2 Loans granted to Related Parties	2013	2012
The loan reflect the outstanding balance due by RWST on the finance lease agreement	2 608 109	2 622 751
46.3 Compensation of Related Parties		
Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.		

46.4 Other Related Party Transactions

Municipal Entity

Water sales to RLM
Accounts Receivable
Interest Paid

2013

76 156 085.00
(8 709 981.00)
(288 208.00)

2012

66 660 534
-7 630 513
-288 582

2013
R

2012
R

47 CONTINGENT LIABILITIES

47.1 Bank Guarantees:

These guarantees are issued in favour of the following:
- S A S en Hawens R 400

1 181 137

- Eskom Holdings Limited R 11 299
- Magalies Water R 1 169 438

47.2 Court Proceedings:

7 680 000

(1) Payment dispute over water supply with Government pension fund
This claim was made by the applicant for being overcharged with regards to their water account at the Tlhabane Fire station

300 000

300 000

(2) Claim for alleged monies owed to Renaissance security
This was claim was made with regards to outstanding payments that th municipality owes for service rendered.

800 000

500 000

(3) Claim for payment of services rendered by Vuka Africa Consulting
This claim was made by the supplier due to alleged unlawful termination of their contract with the municipality.

Completed

300 000

(4) Court order for eviction application in terms of PIE Act: Tlhabane Female Hostels
The Supreme Court of Appeal has confirmed the decision of the High Court in favour of the RLM. However, it has come to

-

(5) Claim for land purchase amount and damages by Frans Masikane
Damages incurred as a result of developing property known as Erf 2026 Geelhoutpark Ext. 6. This property in question was

400 000

(6) Claim for payment of services rendered by Geonsti consulting engineers

4 000 000

(7) Claim for reinstatement of position: TRR Ramathape
Claim by the applicant for his reinstatement on the basis that the then Acting Municipal Manager suspended him contrary to

1 000 000

(8) Claim for transfer of immovable property to the name of Safari Investment
Applicant had lodged an urgent application to cause the Defendant to transfer certain immovable property to them. The

300 000

(9) Private Eviction proceedings in terms of PIE Act.
Private Eviction proceedings in terms of PIE Act. Unlawful occupiers invoked the provisions of 7(1) of PIE Act to request for

400 000

(10) Application for re-connection of electricity by Fair distributors 9.
Application for re-connection of electricity, for RLM to sign up tenants directly for services and demand for outstanding

100 000

(11) Appeal – Against Application for Amendment of Scheme 637
Appeal before Township Board of the re-zoning of portion 3 and 11 of farm Wagenpadspruit 354 JQ (Application for amendment of Scheme 637).

50 000

(12) Interdict to restrain RLM from disconnecting electricity by Medicross Healthcare Group (Pty) Ltd.

50 000

(13) Claim for the review application against the adverse Arbitration Award by EHCWAWU obo Setiale and 7 Others.

1 109 260

100 000

(14) Claim for the review application against the adverse Arbitration Award by SAMWU obo Mpipe & 15 Others.

100 000

(15) Claim for damages for wrongful arrest and detention by Tsela Kotela.

80 000

(16) Various claims submitted to the legal department of the municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful including the estimated legal costs, is disclosed.

-

47.43 Landfill Sites:

The municipality does not have permits for the following landfill sites and the cost of rehabilitation is as follows:

- Bethanie
- Lethabong
- Marikana
- Monnaka
- Phatsima

10 000 000
10 000 000
10 000 000
10 000 000
10 000 000

48 CONTINGENT ASSETS

48.1 Outstanding insurance claims

7 399 472

48.2 Court Proceedings:

10 800 000

(1) Claim against IBD Civil contractors for declaring the sale agreement of land invalid Action against IBD for declaring the sale agreement of land invalid and return of purchase price to the Respondent	10 000 000
(2) Eviction proceedings in terms of PIE Act by R.L.M against 20 illegals.	400 000
(3) Eviction proceeding in terms of PIE Act.	400 000
(4) Claim for arrear rental	50 000
(5) Claim by RLM for control over hawkers	500 000
(6) Claim by RLM for damages against the G4S Security for loss of an amount of R10 million collected from the vending machine	10 000 000

49 IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

- (i) Secondment of SAICA trainees

50 EVENTS AFTER THE REPORTING DATE

No material events occurred with respect to the 2012/2013 financial year end after the date of the statement of financial position in respect of loans, investments and any other aspects.

51 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors.

